

# AGENDA



## Recommendation for Council Action

Austin City Council		Item ID	71745	Agenda Number	16.
Meeting Date:	6/22/2017		Department:	Treasury	
Subject					
Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2017, in a par amount not to exceed \$350,000,000, in accordance with the parameters set out in the ordinance, authorizing related documents, approving the payment of the costs of issuance, and providing that the issuance and sale be accomplished by December 29, 2017.					
Amount and Source of Funding					
For the \$125,000,000 refunding of commercial paper, \$10,063,000 in anticipated first year debt service requirements and an estimated annual administrative fees of \$500 for the paying agent/registrar for proposed bond sale will be included in the 2017-18 Proposed Operating Budget of the Combined Utility Bond Redemption Fund.					
Fiscal Note					
Debt Service Requirements over the life of the \$125,000,000 in Commercial Paper refunding:					
	2017-2018	Total Over 20 Years	Average Per Year		
Principal	\$ 3,813,000	\$ 125,000,000	\$ 6,250,000		
Interest	\$ 6,250,000	\$ 76,650,000	\$ 3,832,500		
Total Debt Service	\$10,063,000	\$200,650,000	\$10,032,500		
Purchasing Language:					
Prior Council Action:					
For More Information:	Art Alfaro, City Treasurer, 512-974-7882				
Council Committee, Boards and Commission Action:					
MBE / WBE:					
Related Items:					
Additional Backup Information					

Austin Water uses short term debt, called “commercial paper,” to fund many of its purchases. The commercial paper is periodically paid off using bonds that refinance the commercial paper and that are backed solely by the revenue of the utility, rather than property taxes. At times, the market for these types of bonds has interest rates that are favorable to the City. At these times, Council is asked to approve an ordinance that will allow for the refinancing of this debt.

Additionally, due to current favorable conditions in the municipal bond market, the City’s financial advisor, PFM Financial Advisors, L.L.C., has advised that refinancing, or “refunding” certain maturities from the Water and Wastewater System Revenue Refunding Bonds Series 2009 and 2009A bonds may result in present value savings (lower debt service costs) that exceed the City’s target guideline of 4.25% of the refunded bonds. Using interest rates as of May 16, 2017, the transaction produced \$24.4 million in present value savings (or, expressed as a percentage of the refunded bonds, a present value savings of 10.64%).

The new bonds being requested to refinance the commercial paper as well as existing maturities within Series 2009 and 2009A bonds of Austin Water are known as “revenue refunding” bonds, and are backed solely by the revenue of Austin Water, instead of property taxes.

The ordinance sets parameters so that the City has the authority to enter into the transaction, as long as certain thresholds in the ordinance are met. The proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the “Pricing Officer”) to complete the sale of the refunding bond transaction if the City can achieve a present value debt service savings of not less than 4.25%. In addition, the authority of the Pricing Officer to exercise the authority delegated by Council under the ordinance expires on Friday, December 29, 2017.

The transaction will be sold through the following underwriting team:

Senior Manager: Goldman Sachs

Co-Managers:

Morgan Stanley

Ramirez & Co.

RW Baird

Siebert Cisneros Shank

For this transaction, McCall, Parkhurst & Horton L.L.P. will serve as bond counsel, Norton Rose Fulbright L.L.P. will serve as disclosure counsel, and serving as underwriter’s counsel will be Haynes & Boone L.L.P. Rating agencies will include Moody’s Investors Service, Inc., Standard & Poor’s, and Fitch Ratings, Inc.